

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 HELSINKI 2634

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SUBJECT: DOMESTIC POLITICAL DEVELOPMENTS OVER PAST THREE
MONTHS HAVE IMPORTANTLY ALTERED FINNISH POLITICAL
LANDSCAPE

REF: (A) HELSINKI 2626, (B) HELSINKI 2538, (C) HELSINKI 2374
(D) HELSINKI 2470, (E) HELSINKI A-120

1. SUMMARY: IMPORTANT FINNISH POLITICAL DEVELOPMENTS REPORTED
IN RECENT MESSAGES CONSTITUTE MOST SIGNIFICANT ALTERATION
FINNISH POLITICAL LANDSCAPE OF PAST 10 YEARS. MAJOR DEVELOP-
MENTS HAVE BEEN EXIT (PERHAPS INDEFINITELY) OF COMMUNIST
PARTY'S (SKP) POLITICAL FRONT (SKDL) FROM GOVT, RE-EMERGENCE
OF CENTER/RIGHT ALTERNATIVE IN FINNISH POLITICS AND INTERNAL
DIVISIONS AND MISCALCULATIONS OF SOCIAL DEMOCRATIC PARTY (SDP).
THIS REPORT ANALYZES CAUSES AND IMPLICATIONS OF THESE DEVELOPMENTS.
DEVELOPMENTS HAVE IMPORTANT DOMESTIC POLITICAL IMPLICATIONS AND,
MOREOVER, PROVIDE ENCOURAGING EVIDENCE OF CONTINUED DYNAMISM
IN FINNISH POLITICAL INSTITUTIONS. END SUMMARY.

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2. RECENT EMBASSY MESSAGES HAVE REPORTED WITHDRAWAL (PERHAPS
INDEFINITELY) OF COMMUNISTS FROM GOVT PARTICIPATION (REF A),
RE-EMERGENCE OF CENTER/RIGHT ALTERNATIVE IN FINNISH POLITICS
(REF B), AND INTERNAL DIVISIONS OF SDP WHICH HAVE CAUSED PARTY
FOLLOW INCONSISTENT POLICIES AND WHICH HAVE HAD EFFECT OF
BLOCKING ITS RETURN TO GOVT COALITION (REF B, C AND D). THESE

DEVELOPMENTS OVER PAST THREE MONTHS -- VIEWED TOGETHER -- CONSTITUTE MOST IMPORTANT ALTERATION OF FINNISH DOMESTIC POLITICAL LANDSCAPE SINCE 1966. (IN THAT YEAR THE LARGE GAINS OF THE LEFT IN THE MARCH PARLIAMENTARY ELECTIONS FOLLOWED BY FORMATION OF A CENTER/LEFT COALITION GOVT BROUGHT RETURN OF SDP TO GOVT AFTER HAVING CHANGED POLICIES AND LEADERS IN SUCCESSFUL EFFORT TO GET INTO MOSCOW'S GOOD GRACES AS "RELIABLE" POLITICAL PARTY. FORMATION OF 1966 CENTER/LEFT COALITION ALSO MARKED RETURN OF SKDL TO GOVT FOR FIRST TIME IN 18 YEARS AND BEGINNING OF CONSERV PARTY'S LONG POLITICAL EXILE.)

3. PERHAPS ROOT CAUSE UNDERLYING RECENT SHIFTS IN FINNISH DOMESTIC POLITICAL RELATIONSHIPS HAS BEEN FINLAND'S DEEP ECONOMIC INFLATION/RECESSION PROBLEM. THE POLITICAL PARTIES HAVE REACTED TO SERIOUS ECONOMIC SITUATION IN VARYING WAYS, REFLECTING THEIR DIFFERENT PERCEPTIONS AS TO ITS CAUSES AND THE DIFFERENT CONSTITUENCIES AND INTERESTS WHICH EACH PARTY REPRESENTS. FINLAND'S INFLATION/RECESSION PROBLEM SERVED TO EMPHASIZE AND MAGNIFY IMPORTANCE OF DIFFERENCES AMONG PARTIES: COMPROMISES ON ECONOMIC ISSUES, RELATIVELY EASY TO REACH IN PAST YEARS, NOW MUCH HARDER BECAUSE OF DIFFICULT ECONOMIC SITUATION. THUS, OPPOSITION OF MODERATE COMMUNISTS DURING PREVIOUS MIETTUNEN GOVT TO EFFORTS OF ITS COALITION PARTNERS PURSUE ORTHODOX ANTI-INFLATION STABILIZATION PROGRAM, AND THE SUBSEQUENT UNANIMOUS SKP APPROVAL OF HARDLINE NEW ACTION PROGRAM ARE TWO DEVELOPMENTS REFLECTING COMMUNIST VIEW THAT FINLAND'S ECONOMIC WOES CAUSED BY CRISIS OF WORLD CAPITALISM. SKP ALSO NO DOUBT HAS MORE CRASS PARTY MOTIVE OF WANTING TAKE ADVANTAGE OF OPPORTUNITIES OFFERED BY ECONOMIC HARD TIMES TO WOO DIS-AFFECTED. CONCERN WITHIN SDP OVER PLIGHT OF WORKERS AND UNEMPLOYED.

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EMPLOYED PROBABLY WAS ONE FACTOR IN MAKING IT DIFFICULT FOR PARTY TO MODERATE ITS BUDGET DEMANDS IN NEGOTIATIONS WITH GOVT CENTRIST PARTIES; CONCERN OVER ECONOMY AMONG LATTER ALMOST CERTAINLY A FACTOR IN THEIR BEING UNWILLING MEET SDP BUDGET DEMANDS. BUDGET AGREEMENT BETWEEN CENTRIST AND CONSERVATIVE PARTIES WAS FACILITATED BY FACT THEIR PERCEPTIONS OF ECONOMIC DIFFICULTIES AND NECESSARY POLICIES ARE QUITE SIMILAR. ALSO AGRICULTURE NOT A BONE OF CONTENTION BETWEEN CENTER AND CONSERVATIVES AS IT IS BETWEEN CENTER AND SDP.

4. UNQUESTIONABLY ANOTHER IMPORTANT FACTOR IN SHIFTS WAS -- AS ALWAYS -- PRES KEKKONEN. HIS PARTIAL REVERSAL OF HIS LONG-STANDING OPPOSITION TO GIVING CONSERV PARTY ACCESS TO POLITICAL INFLUENCE ALMOST CERTAINLY CONTRIBUTED DECISIVELY TO CENTER AND CONSERVATIVE RAPPROACHMENT. KEKKONEN'S MOTIVATIONS CAN ONLY BE CONJECTURED. HE WAS, IT IS KNOWN, DISAPPOINTED WITH COMMUNIST PERFORMANCE IN PREVIOUS MIETTUNEN GOVT. PROBABLY, HE TOO WAS INFLUENCED BY SERIOUSNESS OF ECONOMIC SITUATION AND NEED FOR

STRONG GOVT ECONOMIC MEASURES; HE MAY HAVE FELT SDP WAS UNDER CIRCUMSTANCES DEMANDING TOO HIGH A PRICE FOR ITS SUPPORT ON BUDGET. HE MAY ALSO HAVE BEEN IMPRESSED BY CONSERV GAINS IN OCTOBER MUNICIPAL ELECTIONS OR BY PUBLIC COMMENT SPARKED BY CONSERV GAINS ON GROWING ANOMALY OF CONTINUED CONSERV ISOLATION FROM INFLUENCE. HE MAY HAVE BEEN INFLUENCED BY OPEN CAMPAIGN OF CONSERV LEADERSHIP OVER PAST SEVERAL YEARS TO CURRY HIS FAVOR. KEKKONEN MAY SIMPLY HAVE FELT THAT IN RECENT YEARS HE HAD EXHAUSTED ALL OTHER POSSIBLE GOVT COALITIONS AND ALLIANCE COMBINATIONS, EXCEPT CENTER/RIGHT. FINALLY, HE MAY BELIEVE THAT CENTRIST AGREEMENT WITH CONSERVS ON BUDGET AND (PERHAPS) AGRICULTURE ISSUES DOES NOT IMPLY OPENING OF DOOR TO CONSERV PARTY RETURN TO CO-GOVERNMENT.

5. ANOTHER IMPORTANT FACTOR IN SHIFTS IS THE REACTION AND COUNTER-REACTION EFFECT. PARTY DECISIONS TAKEN IN REACTION TO ECONOMIC SITUATION THEMSELVES CAUSE REACTIONS AMONG VARYING POLITICAL GROUPS AS PARTIES ATTEMPT TO ADJUST TO CHANGING CIRCUMSTANCES.

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POLITICAL CIRCUMSTANCES. THIS ADJUSTMENT PROCESS WILL PROBABLY CONTINUE, AS NOTED BELOW WITH REGARD TO SDP.

6. WHATEVER THE SPECIFIC CAUSES OF SHIFTS, THEIR IMPLICATIONS FOR FINNISH POLITICAL SCENE ARE HIGHLY SIGNIFICANT. PARTICULARLY IMPORTANT IS RE-EMERGENCE OF CENTER/RIGHT ALTERNATIVE IN FINNISH POLITICS FOR FIRST TIME IN 10 YEARS. MANY OBSERVERS, INCLUDING THIS EMBASSY, HAVE NOTED OVER THE YEARS THAT ISOLATION OF CONSERV PARTY FROM POLITICAL INFLUENCE HAS HAD UNHEALTHY POLITICAL EFFECT OF TRUNCATING FINNISH POLITICAL SPECTRUM, AND HAS TENDED RESULT IN SERIES OF CENTER/LEFT COMPROMISES ON NATIONAL ISSUES WHICH CUMULATIVELY HAVE NUDGED NATION

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TOWARD LEFT, PARTICULARLY ON ECONOMIC QUESTIONS. RE-EMERGENCE OF CENTER/RIGHT ALTERNATIVE AND ENHANCED CONSERV PARTY INFLUENCE NOW OPENS POSSIBILITY THAT IN FUTURE, SOLUTIONS TO SOME ISSUES MAY BE CENTER/RIGHT ANSWERS. SOME CENTER/RIGHT COMPROMISES MAY BE MORE BENEFICIAL TO FINNISH ECONOMIC POLICY THAN ALTERNATIVE CENTER/LEFT COMPROMISES, AS APPEARS BE THE CASE WITH 1977 BUDGET. DIFFERENCE BETWEEN CENTER/RIGHT AND CENTER/LEFT ALTERNATIVES IN CASE OF BUDGET NOT LARGE, BUT DOES AFFECT BUDGET'S TONE AND DIRECTION. ON OTHER HAND TO EXTENT THAT POSSIBLE CENTER/CONSERV AGREEMENT ON AGRICULTURE PRESERVES INCENTIVE TO UN-ECONOMIC PRODUCTION, CENTER/RIGHT AGREEMENT ON THIS ISSUE MAY BE LESS HEALTHY THAN CENTER/LEFT ALTERNATIVE.

7. ALTHOUGH CONSERVS HAVE NOT RETURNED ALL THE WAY FROM EXILE FROM GOVT, AND COMMUNISTS LIKELY WILL NOT BE PARTICIPATING IN GOVT FOR SOME TIME, NEVERTHELESS, FOR FIRST TIME IN MANY YEARS ALL FOUR MAJOR PARTIES CAN EXERCISE THEIR INFLUENCE BY THEIR OWN LIGHTS IN RELATIVELY UNFETTERED WAY. THIS COMES AT A TIME WHEN NEXT PRESIDENTIAL ELECTION IS BARELY MORE THAN A YEAR AWAY AND WHEN IN ANY CASE PRES KKKONEN'S ADVANCING AGE INEVITABLY RESULTS IN CONTINUING SPECULATION OVER SUCCESSOR.
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IT IS NOT CLEAR AS YET WHAT EFFECT THE CHANGED POLITICAL SCENE WILL HAVE ON PRESIDENTIAL ELECTION AND SUCCESSION ISSUES. IT IS, HOWEVER, VERY SIGNIFICANT THAT CONSERVS HAVE RETURNED TO POLITICAL INFLUENCE AT A TIME WHEN PRESIDENTIAL QUESTION INCREASINGLY BEING EXAMINED; A MAJOR CONSERV OBJECTIVE HAS BEEN TO BE ABLE PARTICIPATE IN SUCCESSION PROCESS (REF E).

8. CHANGES IN FINNISH DOMESTIC POLITICAL SCENE ARE NOT NECESSARILY AN UNMIXED BLESSING. PERHAPS MOST IMMEDIATE NEGATIVE POSSIBLE IMPLICATION IS THAT IT WILL MAKE MORE DIFFICULT THE ACHIEVEMENT OF A GENERAL INCOMES POLICY FOR 1977. IN FACT, MOST OBSERVERS NOW BELIEVE GENERAL INCOMES AGREEMENT IN INDUSTRIAL SECTOR NOW UNLIKELY. LABOR VIEWS 3 PERCENT INCREASE IN SALES TAX AS REDUCTION REAL INCOME WHICH WILL HAVE TO BE OFFSET BY WAGE INCREASE: EMPLOYERS HAVE TAKEN POSITION THAT NO WAGE INCREASES ARE POSSIBLE AND GOVT SPOKESMEN ALSO DISCOURAGE THOUGHT OF INCREASES. SDP PARTICIPATION IN GOVT WOULD SEEM

BE SINE QUA NON FOR GENERAL INCOMES SETTLEMENT. SDP RESPONSE TO RECENT POLITICAL DEVELOPMENTS WILL THEREFORE BE MAJOR FACTOR IN WHETHER OR NOT GENERAL AGREEMENT CAN BE REACHED ON INCOMES POLICY.

9. MOST SERIOUS NEGATIVE POSSIBLE IMPLICATION WOULD BE THAT CENTER/RIGHT COOPERATION, SHOULD IT EXPAND TO OTHER AREAS OF UNDERSTANDING, COULD CONCEIVABLY PUSH SDP AND SKP CLOSER TOGETHER, MOVING FINNISH POLITICS TOWARD GREATER POLARIZATION ALONG LEFTIST AND NON-LEFTIST LINES. THIS CONCERN FREQUENTLY CITED IN PAST BY CENTRIST PARTIES WHEN EXPLAINING THEIR OPPOSITION TO COOPERATION WITH CONSERVATIVES. HOWEVER, MILITATING AGAINST THIS POSSIBILITY EVEN IN EVENT OF EXPANDED CENTER/CONSERV COOPERATION IS LONG-STANDING MUTUAL DISTRUST AND HOSTILITY BETWEEN SDP AND SKP WHICH BECAME PARTICULARLY BITTER DURING PREVIOUS MIETTUNEN GOVT. ALSO, RADICAL NEW COMMUNIST PROGRAM ANNOUNCED LAST MONTH PRESENTS SERIOUS OBSTACLE TO CLOSE SDP/SKP COLLABORATION. HOWEVER, HEAVY-HANDED OR THREATENING CENTER/RIGHT ACTION COULD INCREASE POSSIBILITY, AND IN

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ANY CASE SDP FEINT IN THAT DIRECTION MIGHT BE CONSIDERED BY SDP AS USEFUL TACTIC. EVEN IF INCREASED SDP AND SKP COOPERATION DOES NOT EMERGE ON POLITICAL LEVEL, CLOSER RELATIONS COULD DEVELOP BETWEEN SKP AND SDP LABOR MOVEMENTS AGAINST "BOURGEOIS" GOVT SEEN AS HOSTILE TOWARD LABOR SECTOR. THIS WAS ANOTHER ARGUMENT CITED IN PAST AS DANGER IN CENTER/RIGHT COOPERATION.

10. MORE LIKELY THAN SCENARIO IN WHICH CENTER/RIGHT COOPERATION DRIVES SDP AND SKP CLOSER TOGETHER IS ONE IN WHICH CENTRIST PARTIES AND SDP CAN FIND SOME AREAS FOR COOPERATION OR EVEN RESOLVE THEIR DIFFERENCES AND THEMSELVES MOVE CLOSER TOGETHER, PERHAPS RECONSTITUTING CENTER/LEFT MAJORITY GOVT. CENTRIST PARTIES ARE AWARE OF DANGERS INHERENT IN SDP/SKP RAPPROCHMENT AND WILL DOUBTLESS TRY SEEK AREAS OF COOPERATION WITH SDP. LATTER WAS HAMPERED IN BUDGET NEGOTIATIONS WITH GOVT BY PARTY DIVISIONS AND SEEMED PURSUE SELF-CONTRADICTIONARY POLICY OBJECTIVES OF TRYING RETURN TO GOVT BUT ON TERMS WHICH CENTRIST PARTIES ULTIMATELY WOULD NOT ACCEPT; SDP LEADERSHIP BADLY MISCALCULATED WHEN IT BELIEVED GOVT PARTIES HAD NO ALTERNATIVE BUT TO AGREE TO SDP TERMS, AND WAS GREATLY SURPRISED WHEN GOVT WITH KEKKONEN'S BLESSING TURNED TO RIGHT FOR BUDGET SUPPORT. DEVELOPMENT PROBABLY PLEASED SDP ELEMENTS OPPOSED TO GOVERNMENT PARTICIPATION. HOWEVER, IT NOW CONSIDERED QUITE POSSIBLE THAT SDP WILL RE-EVALUATE AND MODERATE ITS POSITIONS AND TERMS VIS-A-VIS GOVT PARTIES IN ORDER TO RETURN TO GOVT, PERHAPS EARLY IN 1977. MOST OBSERVERS CONSIDER SDP RETURN TO GOVT PROBABLE, BUT DIFFER AS TO WHEN THIS MAY HAPPEN.

11. SDP RETURN TO GOVT IN NEAR FUTURE, WHILE INDEED POSSIBLE,

WILL NOT BE EASY. AS SDP CHAIRMAN SORSA HAS COMMENTED, IT
WOULD BE AWKWARD FOR SDP TO PUT ITSELF IN POSITION OF ADMINIS-
TERING CENTER/RIGHT BUDGET WHICH IT HAD OPPOSED. ALSO, IF CENTER
PARTY LOOKS TO CONSERVATIVES FOR SUPPORT ON AGRICULTURAL POLICY,
WHICH NOW SEEMS POSSIBLE, IT WOULD FURTHER COMPLICATE SDP
RETURN TO GOVT. MOREOVER, SDP DIVISIONS OVER GOVT ISSUE
PERSIST. CENTRIST PARTIES MAY SEEK OBTAIN MAXIMUM LEVERAGE BOTH
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FROM CONSERVS ON RIGHT AND SDP ON LEFT BY PURSUING A "SLALOM"
APPROACH OF NEGOTIATING RIGHT ON SOME ISSUES AND LEFT ON OTHERS.
TIGHT PRICE CONTROL IN CONNECTION WITH NEW INCOMES POLICY
SETTLEMENT MAY BE SUBJECT ON WHICH SDP COULD COOPERATE WITH CEN-
TRISTS. POINT TO BE EMPHASIZED HERE IS THAT EMERGENCE OF CENTER/
RIGHT ALTERNATIVE BY AGREEMENT ON 1977 BUDGET IN NO WAY PRECLUDES
POSSIBILITY THAT SDP WILL RETURN ONE DAY SOON TO GOVT; NEITHER,
HOWEVER, WILL RETURN OF SDP TO GOVT SIGNIFY THAT CENTER/RIGHT AL-
TERNATIVE GONE FOREVER. THE GENIE HAS BEEN LET OUT OF THE BOTTLE
ONCE AND NO ONE CAN ANY LONGER ASSUME IT WILL NOT BE LET OUT
AGAIN.

12. NO ANALYSIS OF FINNISH POLITICAL SCENE WOULD BE COMPLETE
WITHOUT EXAMINATION OF SOVIET CONNECTION; AS HAS BEEN CASE
SINCE END OF WORLD WAR II, FOR FINNISH POLITICAL LEADERS,
PARTIES AND ALIGNMENTS TO SURVIVE AND HAVE INFLUENCE,
THEY MUST PASS LITMUS TEST OF BEING JUDGED BY SOVIET UNION AS
NOT CONSTITUTING THREAT TO PEACEFUL AND FRIENDLY RELATIONS
BETWEEN THE TWO COUNTRIES. IN PAST VARIOUS LEADERS AND TWO
PARTIES HAVE AT ONE TIME OR ANOTHER FAILED TO PASS THAT TEST

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AND WERE CONSEQUENTLY ISOLATED FROM EFFECTIVE POLITICAL ROLE. KEKKONEN'S ACQUIESCENCE IN CENTER/RIGHT BUDGET AGREEMENT IMPLIES HIS JUDGMENT IS THAT THERE WILL BE NO SOVIET OPPOSITION TO SOME INCREASED CONSERV POLITICAL INFLUENCE. TO EMBASSY'S KNOWLEDGE THERE HAVE BEEN NO SIGNALS FROM SOVIET GOVT ON THIS SUBJECT, ALTHOUGH SKDL EXECUTIVE COUNCIL ISSUED STATEMENT RAISING FOREIGN POLICY RELIABILITY ISSUE. CONSERVATIVE LEADER HARRI HOLKERI AND HIS PARTY HAVE FOR SEVERAL YEARS BEEN CULTIVATING SOVIETS TO DEMONSTRATE THEIR FOREIGN POLICY LOYALTY AND RELIABILITY, A "PROBLEM" FREQUENTLY RAISED BY CONSERVS' OPPONENTS. IF A MEASURE OF CONSERV INFLUENCE IN FINNISH POLITICS IS NOW ACCEPTABLE TO SOVIETS, THIS DEVELOPMENT COMES ONLY AFTER THE CONSERVATIVES' LONG AND SOMETIMES HUMBLING EFFORT WITH THE SOVIETS. BECAUSE OF THESE FACTORS, SIGNIFICANCE OF RECENT POLITICAL DEVELOPMENTS AS FAR AS FINNISH INDEPENDENCE IS CONCERNED SHOULD NOT BE EXAGGERATED; NOTHING HAS REALLY CHANGED IN FINNISH-SOVIET RELATIONSHIP.

13. IMPLICATIONS OF RECENT DEVELOPMENTS FOR US INTERESTS IN FINLAND ARE NEVERTHELESS IMPORTANT. THE END OF COMMUNIST PARTICIPATION IN GOVERNMENT AND THE PARTY'S MOVEMENT OFFSTAGE AND TO CONFIDENTIAL

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THE LEFT UNDERSCORES DIFFICULTIES GOVT PARTNERS ENCOUNTERED IN ATTEMPTING REACH MUTUALLY AGREEABLE POLICIES. THIS, THEN, HAS BEEN RESULT OF FINNISH EXPERIMENT OF COMMUNIST PARTICIPATION IN MULTI-PARTY COALITION GOVT DURING A PERIOD OF SEVERE ECONOMIC STRESS; WHILE FINNISH CIRCUMSTANCES ARE UNIQUE, THE EXPERIENCE HERE MIGHT BE NOTED IN RELATION US INTERESTS IN OTHER WESTERN EUROPEAN COUNTRIES. THE MOVEMENT OF COMMUNISTS OUT OF GOVT RESPONSIBILITIES AND RETURN OF CONSERVS TO POLITICAL INFLUENCE PROVIDES ENCOURAGING EVIDENCE OF CONTINUED OR EVEN ENHANCED DYNAMISM IN FINLAND'S WESTERN-ORIENTED POLITICAL INSTITUTIONS. ECONOMIC DIFFICULTIES ARE LIKELY SEVERLY TEST STRENGTH OF FINNISH INSTITUTIONS IN COMING YEAR, AND THEIR DYNAMISM WILL BE NEEDED IF FINLAND IS TO RESOLVE ITS ECONOMIC PROBLEMS IN WAYS COMPATIBLE WITH WESTERN ECONOMIC FRAMEWORK. STRONG FINNISH POLITICAL INSTITUTIONS WILL ALSO BE VITAL IN SATISFACTORY RESOLUTION OF EVENTUAL PRESIDENTIAL SUCCESSION CRISIS. THUS, RECENT EVIDENCE OF VIGOR OF FINNISH POLITICAL INSTITUTION IS A WELCOME DEVELOPMENT IN THIS PRECARIOUSLY SITUATED COUNTRY. AUSTAD

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